Saskatchewan Government Insurance Superannuation Plan

1999

Annual Report

100-05063/

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AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Saskatchewan Government Insurance Superannuation Plan as at December 31, 1999, and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999, and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

February 11, 2000

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SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	1999	1998
ASSETS		
Investments (Note 3)		
Bonds and debentures		
Government of Canada	$18,889,484	$18,704,574
Province of Saskatchewan	484,770	533,547
Other provincial and municipal	5,637,378	5,659,071
Corporate	4,222,268	4,976,018
	29,233,900	29,873,210
Money market instruments	1,668,713	2,385,642
Mortgages	-	20,663
Pooled equity fund	3,685,792	2,927,726
Shares	17,209,583	15,932,463
Real estate	1,040,883	1,142,085
	52,838,871	52,281,789
Accrued interest and dividends	266,211	376,720
Cash	103,029	-
TOTAL ASSETS	**53,208,111**	52,658,509
LIABILITIES		
Bank overdraft	-	98,569
Accounts payable	18,607	14,679
TOTAL LIABILITIES	**18,607**	113,248
NET ASSETS AVAILABLE FOR BENEFITS	**$53,189,504**	$52,545,261

Approved by the Superannuation Committee:

L. Kapell
Chair

J. Crighton
Member Representative

H. E. McEwen
CIC Representative

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31

	1999	1998
INCREASE IN ASSETS		
Investment income		
Interest	$ 1,829,463	$ 1,915,928
Dividends	589,938	301,669
Rental income	87,345	73,617
Gain on sale of investments	1,758,114	3,193,604
Investment expenses	(89,689)	(91,202)
	4,175,171	5,393,616
Current period increase in market values of investments	-	251,439
Employee contributions (Note 1(b))	111,383	206,964
TOTAL INCREASE IN ASSETS	**4,286,554**	5,852,019
DECREASE IN ASSETS		
Pension benefits paid	2,630,004	2,504,463
Termination refunds	816,522	667,006
Direct expenses (Note 5)	33,004	39,747
	3,479,530	3,211,216
Current period decrease in market values of investments	162,781	-
TOTAL DECREASE IN ASSETS	**3,642,311**	3,211,216
INCREASE IN NET ASSETS	**644,243**	2,640,803
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	**52,545,261**	49,904,458
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	**$53,189,504**	$52,545,261

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999

1. DESCRIPTION OF PLAN

The following description of the Contributory Superannuation Plan for Employees of Saskatchewan Government Insurance (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

(a) General

The Plan is a contributory defined benefit pension plan covering some employees of Saskatchewan Government Insurance (SGI). This Plan is operated pursuant to Section 17 of the Saskatchewan Government Insurance Act, 1980. Since 1980, new employees hired are required to join the Capital Pension Plan.

(b) Funding Policy

(i) Contributions are made to the Plan by SGI and Plan members. SGI contributes such amounts as recommended by the actuary in order that the benefits under the Plan may be properly funded. Employees contribute 6.5% of earnings, less a portion of their contributions to the Canada Pension Plan.

(ii) Based on an approval from the provincial Superintendent of Pensions, SGI has an employer funding holiday ending December 31, 1999.

(c) Service Pensions

The Plan provides for a full pension at retirement based on the number of years of service times the average of the highest five years earnings. Effective January 1, 1997 to December 31, 1999 plan members who are less than age 65 but have completed 30 years of service may select early retirement with no reduction to pension. Plan members who are less than age 65 and have less than 30 years of service may select early retirement with a reduced pension.

(d) Disability Pensions

The Plan provides for early retirement when a Plan member is permanently incapable, due to medical reasons, of performing regular job duties of his/her occupation.

(e) Survivors' Pensions

The type of pension selected by the Plan member will determine the amount, if any, to be paid as pension to the survivor.

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to their full extent and plan conditions permit.

In a similar manner, a death refund is payable to the spouse, if any, otherwise to the estate or designated beneficiary of a member where the member is not a pensioner.

(g) Withdrawal Refunds

When a member ceases to be employed by SGI, subject to lock-in provisions, withdrawal refunds with interest on the contributions are payable.

(h) Income Taxes

The Plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the financial position of the Plan as a separate entity independent of SGI and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

(b) Investments

Bonds, debentures, pooled equity fund and shares are recorded at market value, based on year end market quotations. Real estate investments are valued at market based on the most recent appraisals or earnings results. Transactions are recorded as of the settlement date.

(c) Foreign Currencies

Foreign currency transactions are translated into Canadian dollars using the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses arising on the translation of monetary assets and liabilities or sale of investments are included in investment income.

3. INVESTMENTS

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(a) Bonds and debentures

The Plan's investment policy places a limit of BBB on the investment grade of bonds and debentures that may be purchased.

The principal amount and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal value and therefore the average effective rates are not materially different from the coupon rates. Interest is generally receivable on a semi-annual basis.

	1999		1998	
Term to Maturity (years)	Principal Amount	Average Effective Rates	Principal Amount	Average Effective Rates
Government of Canada:				
After one through five	$4,205,720	5.7%	$9,251,657	4.9%
After five	15,455,000	5.7%	8,566,000	4.9%
Province of Saskatchewan:				
After five	522,000	5.6%	522,000	5.6%
Canadian provincial & municipal:				
After one through five	114,000	5.2%	1,088,000	5.0%
After five	4,344,000	6.1%	3,675,000	5.9%
Corporate:				
One or Less	155,000	6.2%	-	-
After one through five	3,122,000	5.5%	2,621,000	5.7%
After five	2,223,000	6.2%	2,544,000	6.4%
Total bonds & debentures	$30,140,720		$28,267,657	

(b) Money market instruments

Money market instruments which comprise treasury bills and commercial paper have average effective interest rates of 5.1% (1998 - 4.9%). The Plan's investment policy states that securities investments must meet minimum investment standards of R-1, or R-2 high for Canadian grain companies, as recognized by the Dominion Bond Rating Service.

(c) Pooled equity fund

The Plan owns units in a pooled equity fund which has no fixed interest rate and its return is based on the success of the fund manager.

(d) Shares

Shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective dividend rate is 1.2% (1998 - 1.3%).

Shares include $5,211,001 (1998 - $5,769,650) denoted in United States dollars.

The Plan's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of common shares. As well, no one holding may represent more than 10% of the voting shares of any corporation.

(e) Real estate

Investments in real estate consist of Canadian commercial property through SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. INVESTMENT PERFORMANCE

The investment manager makes day to day decisions on whether to buy or sell specific investments in order to achieve the long term investment performance objectives set by the Superannuation Committee. It is these long term investment performance objectives that are used to assess the performance of the investment manager.

The Superannuation Committee reviews the investment performance of the Plan regarding the performance of the benchmark portfolio over rolling four year periods. For the four years ending December 31, 1999 the Plan had an annualized gross rate of return of 13.3%. The investment objective for this four year period (the return of the benchmark portfolio) was 12.4%.

The rate of return generated by the Plan in 1999 was 8.2%. The investment objective was 9.5%.

5. OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and management's best estimate assumptions.

The fund is actuarially valued every three years. Results from the latest valuation as at December 31, 1996, projected to December 31, 1999, includes a provision for uncommitted ad hoc benefit increases. Measurement of the present value of accrued pension benefits is uncertain as estimates must be made of future interest rates, inflation rates and post-retirement index rates. For purposes of this actuarial valuation rates used includes an interest rate of 6.75%, an inflation rate of 3.75% and a post-retirement index rate of 50% of CPI. If the interest rate assumption and inflation rate assumption each changes by 1%, the effect is a change in the Plan surplus of $3,882,500 and $1,477,500 respectively. If the post-retirement index rate assumption changes by 10% of CPI, the effect is a change in the Plan surplus of $985,500. The actuarial present value of benefits as at December 31 and the principal components of changes during the year, were as follows:

	1999	1998
Present value of accrued pension benefits at beginning of the year	$47,665,821	$46,980,418
Experience (gain)/loss	(466,821)	(314,418)
Benefits accrued	267,320	424,528
Benefits paid	(2,630,004)	(2,504,464)
Interest accrued on benefits	3,106,165	3,079,757
Present value of accrued pension benefits at end of the year	$47,942,481	$47,665,821

The actuarial value of net assets available for benefits has been determined at amounts that reflect long term market trends. The valuation is based on a five year moving average of the market value of the investments.

The actuarial asset values used in the valuation were:

	1999	1998
Market value of net assets available for benefits	$53,189,504	$52,545,261
Market value changes not reflected in actuarial value of net assets	(2,125,391)	(4,063,595)
Actuarial value of net assets available for benefits	$51,064,113	$48,481,666

The Plan surplus is determined as follows:

	1999	1998
Plan assets at market related value	$51,064,113	$48,481,666
Present value of accrued pension benefits	47,942,481	47,665,821
Plan surplus	$ 3,121,632	$ 815,845

6. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

The costs to administer the Plan are borne by SGI and are not reflected in the accompanying financial statements. However, direct out of pocket expenses including audit, actuarial and consulting fees are paid by the Plan.

Other related party transactions are described separately in the notes.

7. FAIR VALUES

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments:

(a) money market instruments
(b) accrued interest and dividends
(c) cash
(d) accounts payable

For all other investments, fair values are considered to be market value, the calculation of which is detailed in note 2.

8. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.